ECONOMIC TRACTS. No. XIII.

THE STANDARD SILVER DOLLAR

AND

THE COINAGE LAW OF 1878

BY

WORTHINGTON C. FORD

NEW YORK
THE SOCIETY FOR POLITICAL EDUCATION
4 MORTON STREET
1884

The Society for Political Education.

(*ORGANIZED* 1880.)

OBJECTS.—The SOCIETY was organized by citizens who believe that the success of our government depends on the active political influence of educated intelligence, and that parties are means, not ends. It is entirely non-partisan in its organization, and is not to be used for any other purpose than the awakening of an intelligent interest in government methods and purposes, tending to restrain the abuse of parties and to promote party morality.

Among its organizers are numbered Democrats, Republicans, and Independents, who differ among themselves as to which party is best fitted to conduct the government; but who are in the main agreed as to the following propositions:

The right of each citizen to his free voice and vote must be upheld.

Office-holders must not control the suffrage.

The office should seek the man, and not the man the office.

Public service, in business positions, should depend solely on fitness and good behavior.

The crimes of bribery and corruption must be relentlessly punished.

Local issues should be independent of national parties.

Coins made unlimited legal tender must possess their face value as metal in the markets of the world.

Sound currency must have a metal basis, and all paper-money must be convertible on demand.

Labor has a right to the highest wages it can earn, unhindered by public or private tyranny.

Trade has a right to the freest scope, unfettered by taxes, except for government expenses.

Corporations must be restricted from abuse of privilege.

Neither the public money nor the people's land must be used to subsidize private enterprise.

A public opinion, wholesome and active, unhampered by machine control, is the true safeguard of popular institutions.

Persons who become members of the Society are not, however, required to endorse the above.

METHODS.—The Society proposes to carry out its objects by submitting from time to time to its members lists of books which it regards as desirable reading on current political and economic questions; by selecting annual courses of reading for its members; by supplying the books so selected at the smallest possible advance beyond actual cost; by furnishing and circulating at a low price, and in cheap form, sound economic and political literature in maintenance and illustration of the principles above announced as constituting the basis of its organization; and by assisting in the formation of reading and corresponding circles and clubs for discussing social, political, and economic questions.

ORGANIZATION.—The Society is managed by a General Committee, selected from different sections of the United States. The correspondence of the Society is divided among five Secretaries, one each for the East, the Northwest, the Southeast, the Southwest, and the Pacific Slope.

It is suggested that branch organizations be formed wherever it is possible (and especially in colleges) to carry out the intentions of the Society. Any person who will form a Club of ten persons, each of whom shall be an active member of this Society, will be entitled to a set of the tracts already issued.

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LAW OF FEBRUARY 28, 1878.

AN ACT TO AUTHORIZE THE COINAGE OF THE STANDARD SILVER DOLLAR, AND TO RESTORE ITS LEGAL-TENDER CHARACTER.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be coined, at the several mints of the United States, silver dollars of the weight of four hundred and twelve and a half grains Troy of standard silver, as provided in the act of January eighteenth, eighteen hundred and thirty-seven, on which shall be the devices and superscriptions provided by said act; which coins, together with all silver dollars heretofore coined by the United States of like weight and fineness, shall be a legal tender, at their nominal value, for all debts and dues public and private, except where otherwise expressly stipulated in the contract, and the Secretary of the Treasury is authorized and directed to purchase, from time to time, silver bullion, at the market price thereof, not less than two million dollars worth per month, nor more than four million dollars worth per month, and cause the same to be coined monthly, as fast as so purchased, into such dollars; and a sum sufficient to carry out the foregoing provision of this act is hereby appropriated out of any money in the Treasury not otherwise appropriated. And any gain or seigniorage arising from the coinage shall be accounted for and paid into the Treasury, as provided under existing laws relative to the subsidiary coinage: *Provided*, That the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed five million dollars; *And provided further*, That nothing in this act shall be construed to authorize the payment in silver of certificates of deposit issued under the provisions of section two hundred and fifty-four of the Revised Statutes.

* * * * * * * * *

[Sec. 3. That any holder of the coin authorized by this act may deposit the same with the Treasurer or any Assistant Treasurer of the United States, in sums not less than ten dollars, and receive therefor certificates of not less than ten dollars each, corresponding with the denominations of the United States notes. The coin deposited for or representing the certificates shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and, when so received, may be re-issued.]

[Sec. 4. All acts and parts of acts inconsistent with the provisions of this act are hereby repealed.]

THE STANDARD SILVER DOLLAR.

In order properly to understand the status of the standard silver dollar as coined under the act of February 28, 1878, it will be necessary to look briefly into the laws relating to the coinage that have from time to time been passed by Congress.

From the beginning there have been recognized by law both a silver dollar and a gold dollar, and this has made it necessary to determine a proportion or ratio between the two metals, in order that a dollar of gold may be as nearly as possible the exact equivalent of a dollar in silver. But in making this determination a great and insuperable difficulty is encountered. At a given time the relative values of the metals may be pretty accurately determined by the cost of production. Thus in general it may be said that the cost of producing one pound Troy of gold is sixteen times as great as that of producing one pound Troy of silver, and that, therefore, a pound of gold is worth sixteen times as much as a pound of silver. But gold and silver are not invariable in value, and do not always vary simultaneously. Hence, when such a variation does occur, the relative value or proportion as fixed by law no longer holds true. One of the metals is now overvalued, while the other will be undervalued, and, as a consequence, debtors will find it to be in their interests to pay with the cheaper metal; while the dearer, that which is undervalued, will be exported to a place where it will pass at its true worth. For example, by the law of April 2, 1792, the proportional value of gold to silver in all coins current in the United States was fixed at fifteen

to one. The silver dollar was made to contain 371.25 grains of pure silver (416 grains standard weight), and the gold dollar to contain 24.75 grains of pure gold. Events proved that gold had been undervalued, as the real proportion was at that time 15.2 to 1. Silver accordingly became the real measure used, and gold bore a premium. Herein lies the difficulty which attends the effort to coin the two metals on an equality. The law undertakes to accomplish what it cannot do—fix, once for all, the relative values of gold and silver.

The whole history of coinage in the United States is an example of the futility of this effort, however laudable may be its object. As we have just stated, the original law under which coins were first struck fixed the ratio of gold to silver at one to fifteen. Previous to 1824 the imports of gold and silver were not given separately but under one head, as specie. The statistics after that date, and until 1834, show that there was a very strong movement of gold to this country, and the coinage of that metal was also large. But of all this gold very little remained in the country, and "of that small amount only a diminutive portion was in active circulation." As the gold was undervalued, and was worth more than the value given to it by law, silver became the currency of the country, and the gold was melted down or exported.

This condition of affairs continued until the act of June 28, 1834, decreased the weight of the gold dollar, giving it but 23.2 grains pure contents. As the original law had erred in overvaluing silver, so this change committed the error of overvaluing gold. And when, in 1837, the standard of fineness or quality was altered, the silver dollar was made to contain 412.5 grains gross weight ($371\frac{1}{4}$ grains pure), and the gold dollar, 23.22 grains fine. Under these laws silver was to gold as sixteen to one—gold being overrated, and the gold dollar worth less than before. The true ratio should have been about 15.6 to 1, but in making it 16 to 1 the gold dollar was worth about 97.5 cents. "As before no one

would pay a debt with gold dollars, so now no one would pay with silver dollars. Silver went out of circulation, and became the better metal to export, while, for the same reasons, gold became the better remittance this way. The only silver which could circulate here was that which was worn or clipped until it was not worth more than silver was rated at in our coinage. While the mint was coining fine American [silver] pieces, scarcely one was to be seen in circulation" (Sumner, "History of American Currency," p. 110). So that while the laws of the nation have always provided for the equal coinage of a gold with a silver dollar, yet errors made in the determination of the relative values of the two metals have resulted in allowing but one to circulate—the silver dollar until 1834, and the gold dollar so long as the law of 1834 was in force. The attempt to maintain the "double standard," which is intended to convey the idea of a coinage and circulation of two metals upon a strict equality, has been defeated through the action of forces over which Congressional enactments have no power. The country had in practice a silver standard until 1834, and a gold standard after that year, although both gold and silver coins were a full legal tender. With the issue of legal-tender notes during the War both metals were wholly driven from circulation, and did not return before the resumption of specie payments in 1879.

Prior to 1873 any person could take silver bullion to the mint and have it coined into dollars of the weight and fineness required by the law—412.5 grains, nine tenths fine. These dollars when coined were to be equally, with gold, a full legal tender. An act approved February 12, 1873, which was simply intended to codify the laws relating to the coinage, mint, and assay office, contained the following sections which were not at the time believed to embody any very important provisions: "The silver coins of the United States shall be a trade dollar; a half-dollar, or fifty-cent piece; a quarter-dollar, or twenty-five-cent piece; a dime, or ten-cent piece; and the weight of the trade dollar shall be 420 grains

Troy" (R. S., § 3513). It was further provided that no silver coins were to be issued from the mint "other than those of the denominations, standards, and weights set forth in this title" (R. S. § 3516). As this act made no mention of the silver dollar of 412.5 grains, known as the "standard" silver dollar, this piece could no longer be coined. The only dollar that was authorized was the "trade" dollar of 420 grains, which was to be coined for export purposes alone, and was never intended for circulation in this country. The privilege of having silver coined, save for this one purpose, was taken away. "The silver coins of the United States [*i. e.*, those authorized by § 3513] shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment" (R. S. § 3586).[1] Not only was no mention made of the silver dollar of 412.5 grains, but the only silver dollar authorized, the trade coin, was given a limited legal-tender quality. Silver was demonetized.

Why, it may be asked, was such an uproar raised over this law, when, as we have shown, silver would not circulate, being undervalued and consequently the better metal for export? If natural laws of trade rendered of no use the privilege to coin dollars of 412.5 grains with the expectation of making them circulate, why raise a hue and cry when this inoperative law is repealed?

When in 1837 the silver dollar was made to contain 412.5 grains of silver, the ratio of gold to silver was recognized by law to be one to sixteen. At the time this legal ratio was adopted, the real ratio was about 1 to 15.6. So long as one pound of gold was not worth as much as sixteen pounds of silver, there would have been a loss to the bullion holder in attempting to make the dollar as required by the law. But when a pound of gold was worth as much as sixteen pounds of silver, or even a greater quantity, the dollar of 412.5 grains could be coined and passed into circulation without loss, and even with profit. That is to say, in

[1] In June, 1879, silver coins were made legal tender to the amount of $10 in any one payment.

order that gold and silver might be coined and circulate on an equality, it was necessary that silver should fall in value until sixteen pounds or more of it would purchase one pound of gold.

The average relation between the price of gold and that of silver in the London market was, in the years named :

1871	15.58	1877	17.22
1872	15.63	1878	17.92
1873	15.91	1879	18.40
1874	16.17	1880	18.02
1875	16.58	1881	18.24
1876	17.87		

That is to say, in 1871, one pound of gold was worth 15.58 pounds of silver ; in 1873, 15.91 pounds ; in 1874, 16.17 pounds ; and in 1876, 17.87 pounds. Silver fell in value in these years to such an extent that in July, 1876, it required 20.17 pounds of silver to purchase one pound of gold. After 1873 the conditions required to allow the silver dollar of 412.5 grains to be coined and circulated were attained, and thereafter this piece could be coined at a constantly increasing profit to the bullion owner.

The reasons for this great fall in the value of silver were as follows : (1) "The demonetization of silver by Germany in 1871, and by the Scandinavian States in 1874 ; the limitation on the coinage of silver imposed by France, Belgium, Switzerland, and Italy (the Latin Monetary Union), in 1874 ; the closure of the Holland mint against the coinage of silver on private account, in April, 1875 ; the refusal of Switzerland, in 1875, to coin silver at all, and in the summer of 1876, by authority given to and actually exercised by the President of the French Republic, the suspension of the silver coinage altogether ; the Spanish royal decree (1876) closing the mint of that kingdom against private depositors and declaring the purpose of that government to demonetize it for all sums exceeding $28 at the earliest practicable moment ; and the submission (1876) to the Dutch legislative chambers of a ministerial project of demonetizing silver in Holland. (2) A se-

rious decline, for the time being, in the India demand for silver. (3) An increase in the production of silver in the United States." In 1871 this production was estimated to have been $18,100,000, but it rapidly increased until 1876, when it was more than twice as much ($38,200,000). A great increase in the supply that is accompanied by a diminished demand can only result in a fall in the price of the commodity in question.

We have seen that the coinage of a "trade" dollar, to contain 420 grains of silver, was authorized by law. When this law was passed (1873) the bullion value of this dollar was 102.5, or more than its face value. But when the price of silver fell, in time the bullion value became less than that of one dollar in gold, and soon after this fall they began to be put into circulation in this country at a profit to those who did it. When this was seen (1876) the piece was deprived of its legal-tender quality, and further abuses having occurred, its coinage was wholly discontinued. So that practically between the years 1871, when Germany demonetized silver, and 1876, when restrictions and finally prohibition were placed upon the coinage of the trade dollar, the market for silver was enormously reduced, and in this country, which had now become the great silver-producing country of the world, the only use for the metal was in the subsidiary coinage, the amount of which had been limited by law in 1876 to $50,000,000. This naturally attracted attention, and in August, 1876, a commission of nine members was created by Congress to inquire (1) into the change which has taken place in the relative value of gold and silver; (2) into the policy of restoring the double standard in this country, and of determining what the legal relation of silver and gold should be, and other matters which are not pertinent to the subject we are treating. The commission made an elaborate report upon these points, which contains, with the testimony printed with it, much valuable material. The main point that concerns us, was that the commission recommended the restoration of the double standard and the unrestricted coinage of both

metals, but was unable to agree upon the ratio that should be established between them. Although the report was presented in March, 1877, a law covering the subject was not passed until February, 1878. This authorized the coinage of a silver dollar of the weight of 412.5 grains Troy of standard silver, as provided in the act of January 18, 1837, to be a legal tender, at their nominal value, for all debts and dues, public and private, "except where otherwise expressly stipulated in the contract." The Secretary of the Treasury was directed to purchase, from time to time, silver bullion at its market price, not less than $2,000,000, and not more than $4,000,000 worth per month, and cause the same to be coined monthly, as fast as purchased, into such dollars. It was further provided that the holder of these dollars might deposit the same with the Treasurer or any assistant Treasurer of the United States, in sums not less than ten dollars, and receive therefor certificates of not less than ten dollars each, said certificates being receivable for customs, taxes, and all public dues. The coin deposited as above is to be retained in the Treasury for the payment of the certificates when demanded. This act became a law February 28, 1878, being passed over the President's veto.

Before passing to the results produced by this legislation it will be well to look at the motives which led to the passage of the law, and which were so convincing as to enable Congress to pass the measure over the President's veto. These motives may be regarded as sentimental, political, and financial.

1. The sentimental reasons given in support of the law need not detain us long. The "dollar of the fathers" was a catch-phrase which passed current in this discussion. "The silver dollar has been called the dollar of our fathers. I am willing to say that I venerate our fathers. I venerate the constitution of our fathers, the wisdom of our fathers, the patriotism of our fathers, and the virtue of our fathers, and I also have regard for the dollar of our fathers, and having that I desire to see it again the coin of the country." This sentiment, uttered by a grave Senator in debate,

was but a specimen of the logic used to support the silver law, and while it sounded well it was quite contrary to fact. Up to 1837 we have seen that a silver dollar was in circulation, but it was a coin that contained 416 grains, whereas Congress was being asked to authorize a coin that contained only 412½ grains. In order to bring back the "dollar of our fathers" at least 3½ grains would have to be added to the proposed piece. No coin other than this 416-grain dollar could have been intended, as after 1837 no silver dollars circulated. If age and long usage had given the dollar any right to exist, and these characteristics were urged in its favor, the same reason would prevent any change whatever in the coinage laws, and thus forbid any attempt to make these laws conform to the altered economic conditions of the country or of the bullion markets of the world. We do not make much account of the charge that silver is too cumbersome for general use, because by employing silver certificates or paper representatives, the necessity of transporting the metal is obviated.

2. Congress possesses the power to "coin money and to regulate the value thereof," and this power is exclusive, the States being expressly prohibited from coining money. In the absence of any words limiting this general provision it would seem as if Congress might at pleasure demonetize either gold or silver, should expediency recommend or necessity demand such a step. This, however, was strenuously denied by the upholders of silver. They claimed that gold and silver were "necessarily a legal tender," and that "they were so not from any law of Congress but from the provisions of the Constitution. It seems almost superfluous to add that Congress cannot take from them a function conferred by the higher authority of the Constitution." Usage, they claimed, pointed to the same conclusion, and inasmuch as both metals had, from the formation of the Government, been recognized by the law of the land, no change should now be made in the time-honored policy.

Another political reason played an important part in the debates

upon this measure. The United States had become a great silver-producing country, and the yield from its mines gave one half of the world's annual supply. The action of the European governments had seriously narrowed the market for silver, and the mine-owners of the West were shrewd enough to apply to themselves the principles of the so-called "American policy," under which every thing that is American is regarded as worthy of special "protection." This policy is responsible for the protective tariff by which a "home market" for the products of domestic labor is "created," and in like manner the silver producers demanded of the Government a market for their product.[1] Silver, it was said, is one of the productions of the country, just as wheat, corn, or iron; it is dug out of American soil by the labor of American citizens, and it is the duty of Congress by appropriate legislation to give it its highest value.[2] If the United States were to demonetize silver where could the mine-owners dispose of their product? Many millions of dollars and the labor of thousands of men were employed in the production of silver, and to deny a market for the silver obtained was to cripple if not destroy this industry, without just cause or wise motive, and to the great injury of a large body of enterprising capitalists and a far larger

[1] That the silver producers looked upon the measure as one intended to "bull" silver and raise its price, is shown by the fact that, when the Government attempted to secure the requisite bullion for the coinage at the mints of the Pacific coast, the producers and dealers would not sell silver at the equivalent of the London rate, but demanded in addition thereto an amount equal to the cost of bringing it from London and laying it down in San Francisco. These terms being deemed exorbitant, their offers were rejected and arrangements were made to coin the dollars at Philadelphia from silver obtained from the foreign markets. This step caused domestic producers to recede from their position and accept the equivalent of the London rate.—"Report of the Director of the Mint, 1878."

[2] In 1831 the same plea was made for gold. "Another consideration may be adduced in favor of the proposed reform of our gold coins. It seems to be well ascertained that the United States contain one of the most extensive deposits of gold that has yet been discovered. . . . . It appears but just to afford to those employed in collecting that natural product, a certain, and the highest, home market of which it is susceptible."—Gallatin, "Considerations on the Currency and Banking System of the U. S."

body of meritorious laboring-men. Congress might with equal justice decree that cotton should not be made into calico, iron into rails, or sugar into molasses. In any of these instances the market for the commodity legislated upon would be restricted, and this would be a "crime" against an American industry. As the act was first framed unlimited coinage of silver was provided for, but this section was afterward so modified as to fix a maximum ($4,000,000) and a minimum ($2,000,000) monthly purchase of silver, so that a market to that extent only was given to the silver producers. We need only say that it is no proper exercise of power by the Government to attempt to "create" markets for industry; that is much better regulated by the laws of trade.

3. The economic motives naturally demand the most careful examination, and properly the merits of the measure should be judged by them alone.

Bimetallism, or a double standard, is defined by M. Laveleye to be the free and unlimited coinage both of gold and of silver pieces to each of which is given a legal currency. However desirable the simultaneous circulation of both gold and silver coins may be, there is an insuperable obstacle against the adoption of the policy. This we have already pointed out in our short sketch of American coinage. As the value of either metal fluctuates independently, what may be an exact equivalency to-day is not to-morrow, and in accordance with Gresham's law, the cheaper or poorer currency will drive out the better.[1] So that under a bimetallic system the country may at one time have only gold and at another only silver, in circulation. In order to obviate this difficulty as far as possible, Newton, in 1717, suggested that a uni-

[1] This law, in brief, is that bad money when in excess drives out good money, but that good money cannot drive out bad money. It applies not only to moneys of the same kind of metal, but also to the relations of all kinds of money, in the same circulation. "Gold compared with silver, or silver with copper, or paper compared with gold, are subject to the same law that the relatively cheaper medium of exchange will be retained in circulation and the relatively dearer will disappear." For examples see the early pages of this tract.

form relation of value between gold and silver should be established among all countries. If this were done, he said, there would be no longer any motive for exporting one of the two metals in preference to the other. But his suggestion could never be carried into effect, and so long as there are nations using but one metal as a standard of value while others recognize two or more the law of Gresham must prevail. Why the almost inevitable results of the action of this law have not been experienced in the United States under this silver law of 1878 we will show hereafter.

Admitting that the relative value of gold to silver fluctuates, it is urged that under a bimetallic system the fluctuations are less frequent and less violent. "The relation of value, however, between money and the goods of which it has to effect the exchange is more variable with a monometallic than with a bimetallic system. Just as a compensated pendulum, with its bars made of two metals of unequal expansiveness, is less liable to variation because their inequalities balance; or just as a river with two tributaries flows more regularly than it would with only one, so a monetary system fed by the simultaneous influx of both precious metals, is rendered more stable, because the total mass of standard money is greater, and because a falling off in the production of one of the two metals may be compensated by an increase in the production of the other" (*Laveleye*). Even if it be admitted that such is the influence of a bimetallic system, and it is a matter greatly in doubt, there are variations of certain magnitude which cannot thus be counteracted, and these are sufficient to nullify the formal adoption of a double standard, and render the currency practically monometallic (*Sidgwick*).

But, said those who favored the bill, the stocks of gold and silver in the world were never more than enough to supply currency demands, and they can only do it upon the condition that both are money in the fullest sense, and demonetized silver is not such money. It followed, therefore, that there was not enough gold in

the world to perform the functions of a medium of exchange, and as the annual production of this metal was continually decreasing it would be folly to attempt to establish a gold standard in the United States at this time. Not only was Germany drawing heavily upon the existing supplies of gold, thus diminishing the stock from which this country could take what it needed, but natural causes were tending to appreciate the value of the metal. The supply was falling off while the demand for money purposes was increasing, and to adopt it as a standard would involve a most ruinous reduction in the prices of property and of the wages of labor. Such a step would be legislation in favor of capital and against labor; it would make all debts payable in gold, and thus impose a constantly increasing burden upon debtors, upon labor and productive industry, and in the universal bankruptcy and ruin that would follow creditors would also be engulfed.

Up to this point we have supposed that the true ratio between gold and silver has been determined, or at least so nearly determined as to make the fluctuations in either metal of comparatively small account. Under such a condition it is possible to have both gold and silver circulate together, as the variations from the ratio named by law may be of such short duration as not to allow the law of Gresham to operate. But it is very different when a wrong ratio is deliberately accepted by law. At the date of the passage of the silver act the market value of the silver contained in the authorized coin was only 93¼ cents in gold, and before the end of the year the value had fallen to 86 cents in gold. Had free coinage been allowed, and this was provided for in the original measure, only one result could have followed: all gold would have been sent out of the country and silver would come in. The holder of silver bullion would be able to take it to the mint and have it made into coins at the rate of 86 cents' worth of silver to every coin. These pieces, however, would pass in exchange as one-dollar pieces; that is, the value of one dollar in gold, in cloth, in wheat, or in labor could

be obtained by it in exchange. There would thus be 14 cents' profit on every dollar coined, and this would have been sufficient to have drawn here all the silver in the world. To obviate this difficulty, so far as was possible, the law should have recognized the ratio which at the time existed between gold and silver. This, however, the supporters of the measure would not consent to have done, so that the difficulty and danger attending an influx of silver, which must have been accompanied by an efflux of gold, were only partially met and counteracted by the adoption of a clause limiting the amount of the metal to be coined. Not less than two million and not more than four million dollars' worth of silver was to be purchased each month and coined into standard dollars. This was an important limitation for it prevented an almost immediate loss of our gold.

It was strenuously opposed by the silver men, because, they said, to limit the coinage of silver while leaving that of gold free was to discriminate against silver. While admitting that silver had fallen in value, they claimed that the depreciation was of a temporary nature, and were the United States to allow the free coinage of this metal its former value would be restored. As the fall in price had been due to demonetization, remonetization would replace silver where it stood before 1873. The fallacy of this plea in the light of past experience and of theory is too evident to require much notice. European nations were ceasing to employ silver in their circulating media, and the production of the mines was increasing, yet it was soberly urged that the United States could alone bolster up the price of silver. After the law was passed two attempts were made to induce the nations of Europe to recognize silver, but both attempts failed of success.

However beneficial was the limitation on the coinage of silver—and it was beneficial in that it made gradual what would otherwise be a sweeping and destructive change—the act as passed violated certain principles which should govern the operations of

the mints. Coinage and the operations of the mint are in all civilized countries a monopoly in the control of the government. The function of coining money, Mill says, "is assumed for no more recondite purpose than that of saving to individuals the trouble, delay, and expense of weighing and essaying. No one, however, even of those most jealous of state interference, has objected to this as an improper exercise of the powers of government."[1] "But the state not only determines the terms in which the size and weight of articles sold shall be described, it also stamps and issues money, and in so doing both determines the terms in which their value must be stated, which, when so stated, we know as price ; and supplies, though not at its own cost, the medium by which they are bought and sold."[2] But the operations of the mint exist for the convenience of the people and are or should be of a purely mechanical nature. The province or function of the government in regard to the coinage as conducted by the mint is properly simply to certify by a stamp prescribed by law the weight and fineness of the piece of metal to which it is applied. "The essential function of the mint consists in seeing that its weight and purity are what the law requires, and in stamping and issuing it so that it may be known everywhere as certified by the government to possess these qualities. Beyond this the government does nothing to determine its value, which is simply the value of that quantity of gold in the open market" (*Farrer*).

This will be made clearer by further explanation. Money is a matter of convention, of agreement. Originally all trade was conducted by barter, or by an exchange of commodity for commodity. This was at best a clumsy and costly system of trading, because it was difficult to find the exact situation in which a fit exchange could be made. One man might have a canoe and be

[1] Mill : "Principles of Political Economy," B. v., ch. 1, § 2. But Herbert Spencer : "Social Statics," pp. 400–402 ; and J. L. Shadwell : "System of Polit. Econ.," object to the coinage of money by the state.

[2] Farrer : "The State in its Relation to Trade," p. 43.

in need of food ; in order to make an exchange he must find another man who has a surplus of food beyond his own requirements and wants a canoe. Hence it happened that some commodity was chosen to serve as a medium of exchange, which possessed value or the power of being exchanged, and was so universally accepted that our supposed trader would be willing to receive it in exchange for his canoe, with the knowledge that he would be able subsequently to exchange it for the food he needs. This is the origin of money. The utility of such a medium of exchange (money, which in time becomes also a measure of value), being recognized, a commodity that should be best fitted to serve for this purpose was sought, and in the course of time the precious metals were selected. All this, however, occurred without the intervention of law. The various steps which led up to the final adoption of gold and silver as the best money were taken by universal agreement, and all that the law could properly do was to register what custom had already decreed. When the law goes beyond this limit and attempts to run counter to general usage, which is the result of experience, it invariably results in producing mischief. Look at the coinage laws for example. They have recognized the usage of nations and have selected the precious metals to be the materials of which coins are to be made. Government undertakes to perform the operation of coinage, and it becomes necessary to determine by law the size, weight, and fineness of the pieces coined. The law further must determine what is to be the standard or unit of value to which all exchanges shall be referred. In the United States this unit is the *dollar*, but the name alone and its material qualities are given it by law. Thus, Congress has enacted that the gold coin which is to be known as the dollar is to contain 25$\frac{4}{5}$ grains of gold ; and the silver coin of the same name is to contain 412$\frac{1}{2}$ grains of silver. Here the proper function of the law ends. It does not and can not determine the *value* of these coins, for this is done in the markets of the world and by circumstances that are beyond the control of

legislative enactments. If the coins, say of gold, are of full weight, they will pass current anywhere at their bullion value, and be received at this valuation the world over. The term dollar is merely conventional; but as it is used to denote a coin of a certain weight, fineness, and, generally speaking, value, it becomes in time synonymous with that value, and hence arises much of that ambiguity which is connected with the subject of the currency. But this ambiguity is greatly increased when two coins of the same name but of different metals are considered, unless the law has recognized the relative commercial values of the metals and made the two coins to contain such amounts of each metal as are of equal value. This, however, the law of 1878 did not do, as it created a coin of silver that was when tested worth but about ninety cents. We have, therefore, under this law two coins of the same name, but of very different values.

The operations of the mint ought then to be purely automatic. "We could not be sure that the gold sovereign would be of the value of the gold contained in it, if the government had the power to increase or diminish the quantity of sovereigns coined at their own discretion, and thus to determine what quantity of currency the people shall use. It is therefore made incumbent on the mint to coin all the gold which is brought to it for coinage, or —which comes to the same thing—to give for all the gold which is brought to it an equivalent quantity of gold coins. The quantity of coins in circulation must therefore depend entirely upon the demand for them, and not on the action of the government. If more coins are needed, gold is brought to the mint and turned into coins. If fewer coins are needed, existing sovereigns are melted down and exported or otherwise used. The value of the coin must therefore be that of the gold used in making it, with nothing added but the value of the government certificate of its weight and purity. It is this self-acting character of the mint which is the great safeguard of the coinage. If it were in the power of the government to refuse to coin, they would be able to restrict the

coinage and add to its exchangeable value. If they were able to alter the quantity and purity of the metal contained in the sovereign, they would be able to depreciate its value, as has in former times often been done. In either case they would be able to derange markets and alter existing contracts which are made in terms of the pound. The self-acting character of the mint operations reduces the function of the state in issuing money to that of a verifier of weights and measures" (*Farrer*). It should be added that these principles apply only to the coinage of standard pieces, and not to the subsidiary or token coinage, which is wholly in the hands of the government.

Before the law of 1878, the mint regulations of the United States recited that: "*Any owner* of gold bullion may deposit the same at any mint, to be formed into coin or bars for his benefit"; and that "*any owner* of silver bullion may deposit the same at any mint, to be formed into bars or into [trade] dollars" ("Revised Statutes," §§ 3519–20). In both cases the coinage was free, and the mint operations mechanical only; the bullion belonged to the people, and the supply of coins was governed by the demand. The law of 1878 introduced quite different conditions. Under it the bullion is purchased by the government, which undertakes to coin a certain amount each month, without any regard to the relation between supply and demand. The bullion thus becomes the property of the government, instead of remaining in the possession of the people, and in consequence the government undertakes to do what is beyond its proper functions—issue the coins. To coin and to issue money are two very distinct operations, and are governed by very different principles, though in a perfect system both should be free. The quantity of money in circulation is governed by the economic conditions of the country, and a coinage that is free to every holder of bullion is best calculated to meet the wants of the markets.

In performing the operation of coinage for the people the government ought not to make any profit. Prior to the act of

1853 no charge or deduction whatever was made for the coinage of gold and silver. "This act provided that 'whether the gold and silver deposited be coined or cast into bars or ingots,' there should be a charge to the depositor (in addition to the charge made under previous laws for refining or parting the metals) of one half of one per cent. * * * The charge for making gold coins and silver dollars remained at one half per cent. until April 1, 1873, when, under the provisions of the coinage act of that year, it was reduced to one fifth of one per cent. for the gold coinage ; the coinage of silver dollars had been by the same act discontinued. * * * The charge for coining gold was finally abrogated under the act of January 14, 1875, for the resumption of specie payments. The depositor, however, pays for the copper used in alloying his gold."[1] In the subsidiary or token coinage it is different. In this case the government buys the bullion and makes it into pieces having a greater nominal than real value. These coins are purposely overvalued in order that they may not be ex-

[1] Linderman's "Money and Legal Tender," p. 37, *et. seq.* "In close connection with the right of coining comes the consideration as to the proper persons to bear the expense of the process. At first sight the answer seems plain enough. Coins are a manufactured article quite as much as plate, and are rendered more valuable by being assayed, weighed, and certified. It appears, therefore, quite proper that those who bring metal to be coined should bear the expense of the coinage, or, in other words should give up a part of the metal to the mint, thus paying for the service rendered to them in the same manner as those sending letters pay the postal department for their transmission. This course has usually been adopted. England, however, has taken a different line. In order to encourage the coining of the precious metals, no charge was made at the mint beyond that involved in the necessary delay in the operation ; and this is at present the case with gold. Though this arrangement was originally introduced in obedience to the prejudices of the mercantile system which regards gold and silver as being peculiarly wealth, it may be defended on reasonable grounds : for (1) the expense of the mint is very small compared with the amount of coin turned out, and (2) the coins produced are used by the nation, and therefore their expense may quite fairly be defrayed from the national revenue. Again, as the profit from the silver coinage is large, that may be set off against the free coinage of gold. [In England silver is only used in subsidiary coins.] The charge levied on coining, if confined to the expenses incurred, is called *brassage ;* if it is any thing above that cost it is known as *seigniorage*, which latter term is also used to denote both kinds of charge." Art. "Money" in "Encyclopædia Britannica," 9th Edition.

ported. There is thus a difference between the cost of the bullion including the expense of manufacturing the coins, and their tale value, or the value conferred upon them by law. The standard silver dollar in this respect partakes of the nature of subsidiary coins. The government buys the silver bullion, and then taking a quantity of silver worth eighty-five cents it coins it into a piece which it calls a dollar, and as a dollar puts it in circulation. Thus on every piece coined the government makes a profit of fifteen cents. As to the cost of this to the people, we quote from an essay by Mr. David A. Wells :

"1. An annual present cost, defrayed by taxation, of $24,000,000 for the purchase of bullion and its conversion into coin, which is not only not needed, but which the people seek to avoid using. 2. A present annual loss of interest on whatever portion of the coinage is idly hoarded in the vaults of the treasury (and is not circulating in the form of certificates). 3. The loss contingent on the present withdrawing from the channels of domestic trade or foreign commerce of an industrial product of the country (this idle silver), and the movement and sale of which in the open market and in accordance with natural laws would be no less desirable and beneficial than the movement and sale of an equal value in bushels of wheat, bales of cotton, tons of lead, or yards of cloth. 4. The loss contingent on the future sale of surplus silver by the government at a discount from the prices at which it was originally purchased, a result which would seem to be an inevitable alternative in the future to a compulsory use of a fluctuating depreciated currency. 5. The immense loss to the business and commerce of the country through the derangement and depreciation of the currency, which nearly all who have carefully studied the subject are agreed must result from any long continuance of the present silver-coinage policy—a loss which cannot be forecast in figures smaller than hundreds of millions."

We are now prepared to look at the consequences, possible and actual, of this legislation on silver, and first as to its influence on the credit of the Government. The necessities created by the war had been so urgent, and the revenues derived from taxation so in-

adequate to meet them, that the government had depended chiefly upon loans, and had piled up an enormous bonded debt. In consequence of the language used in the act of 1862, and in the subsequent acts authorizing the issue of bonds, excepting that statute which created the 10–40 bonds, whereby it appeared that although express provision was made for the payment of the interest accruing on those bonds in coin, the question as to how and by what medium payment should be made of the principal of the debt was left unanswered. The greenback note was a legal tender for all debts, public and private, except interest on the public debt and payment of customs dues ; it was an unsettled question whether it could rightly be used to pay the principal of the bonds. To set at rest all doubt on this point, an "act to strengthen the public credit" was passed by Congress, and became a law March 18, 1869. It provided as follows : That in order to remove any doubt as to the purpose of the government to discharge all just obligations to the public creditors, and to settle conflicting questions and interpretations of the laws by virtue of which such obligations have been contracted, it is hereby provided and declared that the faith of the United States is solemnly pledged to the payment in coin, or its equivalent, of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligation has expressly provided that the same may be paid in lawful money or other currency than gold and silver." At the time this act was passed the silver dollar of 412½ grains was one of the "coins" authorized and recognized by the coinage laws.

In 1870 steps were taken to refund a large portion of the debt, and the law provided for the issue of bonds "redeemable in coin of the present standard value" (July 14, 1870). This also included the silver dollar of 412½ grains. The resumption act was passed in January, 1875, and authorized the issue of bonds such as were described in the law of 1870. But in the interval the

standard silver dollar of $412\frac{1}{2}$ grains had been demonetized, and the value of that amount of bullion had already fallen; so that it became an interesting question as to whether it would be honest and involve no breach of contract to pay the bonds in this coin should it again be coined. On the one hand it was urged that the laws had up to 1873 recognized both gold and silver coins, and that the public creditor could have taken whichever he pleased. On the other it was said that, allowing this fact, the silver dollar did not circulate in all that time, and was practically unknown; gold was the standard, and in gold were all contracts made. According to the letter of the statutes of 1869 and 1870, bonds issued before 1873 could be paid in either gold or silver; but it was urged that a "government, to preserve a high character for honor and honesty, should fulfil its obligations according to the spirit of the contract," and that it would not be acting in good faith should it commence to coin this dollar and force it upon its creditors, now that silver was depreciated, and rapidly falling in the market. This would be equivalent to "scaling" the debt to the extent of the fall in silver, and such a step could not but affect injuriously the credit of the government. This was a most important consideration, now that the resumption of specie payments was provided for, and the nation was once more to return to a specie basis. With the many doubts that then existed as to the feasibility of such resumption, and it had required a strong fight even to secure what had been done, the folly of taking any step that would throw a doubt upon the honesty of the government was strongly presented.

That the government could float a certain amount of this silver coinage was not questioned. It would fill a want just as the subsidiary or token silver coins which pass current at a value that is merely nominal. But how much could the nation carry? The answer to this question is, until gold commences to be driven out. That is, the credit of the government would be good so long as it paid on demand gold in exchange for its obligations, whether those

obligations were in the form of a non-interest-bearing debt (legal tenders), or of interest-bearing securities (bonds). It should be remembered that at the time this silver bill was under debate the country was still under a depreciated paper money, which had driven out the larger share of coin that was held here before the war. What gold remained was selling at a premium, its chief use being to pay the customs duties levied by the Government. In October, 1875, the amount of coin held by the banks was estimated to be $5,000,000, and taking this as a basis of estimate Mr. Fawcett (*Gold and Debt*) places the total amount in the country at $100,000,000. The Comptroller of the Currency (Mr. Knox) makes it somewhat higher, about $142,000,000, of which from "twelve to fifteen millions were in silver." At all events, when the resumption act was passed, the stock of gold and silver in the country was small. The sale of bonds under this act gave gold to the Treasury and attracted some from abroad. The retirement of the paper fractional currency made room for some silver, so that in June, 1877, the last statement before the silver law was passed, the Director of the Mint estimated that there were in the country about $193,000,000 in gold, and $50,000,000 in silver. Even this was a small amount when compared with the stocks held by other specie-paying countries, but the time was not yet at hand when the metals could circulate here.

Such being the state of affairs, it is not strange that the effects of the silver law on the credit of the Government should be feared. Fortunately a series of events intervened which favored this country to such an extent as to suspend for the time being the evil influences that would otherwise have succeeded the passage of the law. In 1875 the country exported more than $70,000,000 in gold and silver. This was to pay for the great over-trading that led up to the panic of 1873. In 1876 the United States began to export a greater value in merchandise than it imported, and the course of trade for the succeeding years is shown by the following table :

	Domestic Exports.	*Imports.*	*Excess of Exports.*
1876 . .	$525,582,247	$460,741,190	$64,841,057
1877 . .	589,670,224	451,323,126	138,347,098
1878 . .	680,709,268	437,051,532	243,657,736
1879 . .	698,340,790	445,777,775	252,563,015
1880 . .	823,946,353	667,954,746	155,991,607
1881 . .	883,925,947	642,664,628	241,261,319

In spite of the large trade balances no imports of the metals in excess of the exports occurred before 1880, though the exports between 1876 and 1879 decreased rapidly. In the two years 1880–81 the imports of gold exceeded the exports by nearly $175,-000,000. This only includes such as was entered at the custom-house, and takes no account of what was brought in through other channels. The stock of gold and silver in the country, as estimated by Mr. Knox, increased by leaps and bounds.

	Gold.	*Silver.*
Jan'y, 1879 (Date of resumption)	$278,310,126	$106,573,803
Nov., 1880	449,327,404	153,653,630
1881	550,922,398	181,476,144

Of this gold, $112,703,342 was in the Treasury in January, 1879, $133,679,349 in November, 1880, and $167,781,909 in November, 1881.

In the meantime a curious circumstance was developed. The new coin, which it was said the people were demanding, did not circulate but remained in the vaults of the Treasury.

	Total Coinage.	*In Treasury.*	*In Circulation.*
September, 1878	$16,212,500	$12,155,205	$4,057,295
1879	42,634,100	31,806,774	10,827,326
1880	70,568,750	47,784,744	22,784,000
1881	98,322,705	65,949,279	32,373,426

Two causes conspired to produce this result: 1st, the issue of legal tenders of small denominations (one and two dollar bills); and 2d, the authorizing of silver certificates by the law of 1878.

So long as the convenient paper representatives could be obtained there was little expectation of being able to make the heavy coin come into general use. The most strenuous efforts to make them pass freely were tried, but all failed, and at the present time the wants of the people have been fully met and practically the whole coinage remains in the Treasury. The ability of the country to absorb silver is limited, and there is every indication that the limit has been reached. Several times the Treasury has very unwisely attempted to force silver certificates into circulation by selling exchange on the sub-Treasuries in the West and South, payable in these certificates for a deposit of gold. By taking advantage of this offer merchants saved the premium on the exchange.[1]

A continuance of these favorable conditions cannot be expected. Gold has ceased to be imported in any quantities, and there have been times when it seemed as if heavy exports of this metal would be made.[2] The domestic production is also falling of. Meanwhile, the number of silver dollars is increasing at a rate of more than two millions per month. Without quoting figures which will be found in the tables appended to this essay, the general results may be traced. What purports to be a dollar in silver is really worth about eighty-five cents, and up to November, 1883, there had been coined 156,720,949 of these pieces, of which 116,386,017 were in the Treasury. The ability of the Government to maintain its credit is roughly shown by the condition of the Treasury reserve. The legal-tender note circulates at par, because it is felt that on being presented at any time over

[1] This operation was conducted as follows: A merchant in New York having a bill to pay in New Orleans, had he gone to a regular broker would be compelled to pay a commission, and perhaps a premium for a bill of exchange or draft. Instead of doing this he merely deposited gold to the amount of the bill with the sub-Treasury in New York, and directed the Treasurer to send silver certificates of a like amount to his creditor in New Orleans. In this way he saved all expenses, which were in part assumed by the Treasury.

[2] Between February 21 and April 30 of the current year (1884), about $30,000,000 in gold were exported, and nearly the whole of this amount was taken from the Treasury.

the Treasury counter it will be redeemed in something of real value of which it is itself only the representative. The mere credit of the Government is as good as far as it goes; but there must be behind it something tangible, or there would not be that complete confidence in the promises of the Government that now exists. This something is the reserve for the redemption of the legal-tender notes, and this it is which gives value to these notes.

The purchasing power of the paper dollar merely reflects the purchasing power of that which is behind it, and in terms of which it is redeemable. In short as the reserve is, so will the note be. It is therefore essential to maintain not only a sufficient but a sound reserve if the country is to have a sound circulating medium. The composition of this reserve is shown by the following table (000 omitted): [1]

	Gold.	*Silver.*	*Per cent. of Silver.*
1881 (Sept.)	169,552	13,108	7.1
1882 "	148,140	28,699	16.2
1883 (July)	143,000	39,000	21.4

Hence the character of the reserve is changing; the proportion of gold is becoming less, while that of silver is becoming greater; and there is reason to believe that this operation will continue so long as silver is coined under the law of 1878.

Another potent influence is working toward the same end. The prosperity which in 1879 succeeded to six years of depression was due to the demand on the part of Europe for our cereals, and this it was that made the exports in that and following years so large. This prosperity, however, did not long continue, and a period of comparative commercial and industrial depression soon followed. The crops of Europe were more favorable, and this caused a less demand for the wheat of the United States. Nor was this the only threatening circumstance. For some years India had been making rapid strides toward becoming one of the great wheat-producing and exporting countries of the world, and she now

[1] This table shows bullion and coin *less* outstanding certificates.

came forward to compete with the American farmer for the European market. Speculation in food products, which was extensively carried on here, tended to check exports; while hostile legislation against American products, by European governments, in the interests of protection, dealt a serious blow to more than one of our principal articles of export. All of these circumstances went to make probable an export of gold.

It is beyond question that gold would be exported in preference to silver did it become necessary to export metal in settlement of a trade balance against us; for gold passes current the world over, and a dollar in gold will purchase a dollar's worth wherever the exchange is made. The silver dollar, on the contrary, cannot be exported save at its commercial value as bullion; it is in truth but a local currency, and is as much a non-exportable currency as was the greenback before the resumption of specie payments.

An export of gold to any extent would practically leave silver the predominant element in the country; in other words, it would become the standard to which the values of all other commodities, including gold, would be adjusted. Gold would then become an article of merchandise, bearing a premium. As customs dues no longer have to be paid in gold, the source of the government's supply would be cut off. The country will thus have been reduced to a depreciated silver standard. Those who are in easy circumstances will bear the consequences without suffering, and they will be in a position to shift upon others the loss that would have been theirs. In this event the course would naturally be downward, the stronger throwing the burden on to the weaker, until the last stage is reached at which those who had no protection or remedy against such legalized spoliation would be compelled to bear the whole loss. This last stage means the men who depend upon their daily earnings for their subsistence.

This loss is capable of being measured in a general way. On the supposition that the value of the silver dollar remains at the point at which it now stands—that is, about eighty-four cents—

the workingman would receive but eighty-four cents in place of receiving one hundred, and this would be equivalent to a general reduction in wages of sixteen per cent. Furthermore, this would not be followed by a general reduction in the cost of production ; it would involve no decrease in the effort expended in production ; so that the producer, in order to recoup himself for his expenses must adjust his prices to conform to the new conditions. If it formerly cost one hundred cents to grow or manufacture a certain commodity, he must now get back one hundred cents, and in order to do it he must raise the price of his commodity. So that when the workingman came to purchase with his silver dollar he would find that it would not go as far as his former wages, as all prices will have been raised, probably to the full extent of the depreciation.

Moreover, as the population of the country increases, the corresponding increase in business transactions demands a greater quantity of currency, though the more dense the population the more highly developed is the use of credit, which, in a measure, renders unnecessary the use of coin. How much money a nation needs is more or less a matter of conjecture, but generally speaking it depends upon (*a*) the number and extent of such commercial transactions as are effected by means of money ; (*b*) the rapidity of the circulation of money ; and (*c*) the quantity and rapidity of circulation of the representatives of money (Roscher). The population of the United States increases at the rate of more than three per cent. yearly, so that on that basis the new requirements of coin would be exceedingly small, especially as coin is actually employed in daily transactions to a very small extent. Comptroller Knox found in 1881, from the returns of 1,966 banks, that on one day (June 30th) the receipts were composed as follows :

	Per Cent.
Gold coin	0.65
Silver coin	0.16
Paper (legal tenders and bank-notes)	4.06
Checks and drafts	95.13

In the sparsely settled regions of the West and South, where banks and credit institutions do not exist, the use of coin would be much larger ; but with the founding of such institutions a great economy in the employment of the precious metals would certainly follow. Hence the plea that the country must require a constantly increasing quantity of coin is true only to a very limited extent, and the domestic production of gold and silver is far greater than is required by the currency needs of the country. The coinage of silver, which compels the addition of more than $27,000,000 annually to the currency, could be suspended temporarily, not only with no loss to the country but to its positive advantage.

Still, having admitted the desirableness of coining silver, the question of the manner of coinage comes up. It is certainly a foolish and suicidal policy to continue to coin more than 2,000,000 pieces per month which the country does not need, and will not take except when forced into circulation. It is only inviting the final advent of a silver standard on the basis of a coin that is depreciated at least fifteen per cent. Although this event has been staved off by a succession of fortuitous circumstances which it would be too much to expect again, a continuance of the present coinage policy must inevitably lead up to it. There are now indications that we can no longer draw largely upon the stocks of gold held in Europe, while some exportations hence have already occurred. The supply of gold here is decreasing, the amount held by the Treasury and the banks is falling off ; still the silver currency is continually increasing through the operation of the law of 1878. In the last three years the legal-tender circulation has neither increased nor diminished ; the national-bank note-issues have decreased ; gold increased somewhat over fifty-nine per cent. (a result due to exceptional circumstances, as we have seen), while silver has increased *more than sixty-eight per cent.*, and must continue to increase so long as the law of 1878 remains in force. Can there be any doubt as to what is to be the predominating metal in our currency system ?

The simplest remedy that could be applied, admitting the continued use of a bi-metallic currency, would be to add a sufficient quantity of silver to the coin to make it actually worth one hundred cents. This the silver men decline to do, because they expect that eventually the old price of silver will be restored, either through the concerted action of the great powers or through such a new demand for silver for objects other than currency, as will force the price up. Twice have international conferences been held in regard to united action, but no results have been obtained, and at the present time there is little prospect that any such action will be taken in the future. The experience which some of the European nations have already had is not encouraging. The "Latin Monetary Union" was formed in 1865 among France, Italy, Switzerland, and Belgium. According to a recent estimate this monetary system embraces a population of 148,000,000, being the most widely extended system in Europe—("Encyclopedia Britannica"). In theory, both gold and silver are coined among these nations upon terms of equality, at a fixed ratio; but in 1878 the coinage of silver was wholly suspended, and the impossibility of maintaining a double standard was admitted. This monetary convention expires in 1885, and there is little prospect of its being renewed upon the former basis. Silver men in this country look forward to a great crisis should this union be dissolved, but their fears are not well grounded. The market for silver would not be changed. The only result that would follow a dissolution, would be a change in the manner of circulation, the coinage of each nation being efficient only within its own borders, instead of, as at present, passing current all over the union. It is not to be expected that any action on the part of the European Governments looking to the adoption of a double standard at a ratio of one of gold to 15½ of silver will be taken. In other words, the United States will remain isolated in the position it has taken.

Such being the situation, it is only right that steps should be

taken to remove the many dangers which the silver policy threaten the financial interests of the country. The question during the last five years has become greatly simplified. The principle involved in the silver act is no longer to be decided by theoretical considerations, but by the results of a thorough trial of it made under circumstances the most favorable to its success. It should no longer be regarded as an experiment, for experience has demonstrated, beyond question, its futility and its dangerous character. It is no longer a question that concerns other nations, for all hope of coming to any agreement that will be satisfactory is abandoned. It concerns us alone. Is it wise, is it expedient, is it policy to continue the purchase of silver bullion with gold and to coin it into pieces that will not circulate? No merchant would ever think of investing large sums in a commodity for which there was no demand and of which he could not dispose. Why should the Government act on the principle that it is not subject to economic laws? In place of continuing the compulsory coinage of the standard silver dollar, only such a quantity as is demanded by the wants of trade should be manufactured—that is, only as many as the country will absorb or use. The coinage of this piece upon its present basis ought to be suspended.

Steps should also be taken to allow the coin to circulate. So long as paper notes of such small denominations as one and two dollars or even five dollars are issued they will prove of greater convenience and therefore more generally preferred than the heavy silver piece. Were these small notes withdrawn an opening would be made for silver, which they now shut out from circulation. England issues no notes of a less amount than $25; Germany has no bills of a less denomination than $7.50; and in France there is only about $1,000,000 of paper of less denomination that $10.00 outstanding. In this country the National Banks have, since 1879, been prohibited from issuing one- and two-dollar notes; but the Government had in 1882 more than $50,000,000 of such notes in circulation. These ought to be withdrawn in order that silver

may take their place, and this is true whether the present coinage of the silver dollar of 412½ grains is continued, or any change in the weight is made.[1]

[1] In June 1883, there were outstanding the following denominations of United States notes :—

One dollar	27,736,456.
Two dollars	25,524,394.
Five dollars	71,150,085.

In addition there were in circulation $91,523,205 in five-dollar notes of the National Banks. Were all these notes withdrawn ($215,934,140 out of a total paper circulation in legal-tender and national-bank notes of about $700,000,000), silver and gold would circulate to much greater extent than now. A measure to retire the one- and two-dollar notes is now before Congress, but as it includes a reissue of silver certificates of like denominations it will not make room for silver or gold to circulate.

No. 26.—AMOUNT OF COIN AND CURRENCY IN THE COUNTRY, distinguishing the amount in the Treasury, the amount held by the national and State banks and by trust companies, and also the amount in the hands of the people.

[From the Report of the Comptroller of the Currency.]

AMOUNT OF COIN AND CURRENCY IN THE COUNTRY.

	January 1, 1879.	November 1, 1880.	November 1, 1881.	November 1, 1882.	November 1, 1883.
	Dollars.	*Dollars.*	*Dollars.*	*Dollars.*	*Dollars.*
Gold coin and bullion	278,310,126	449,327,404	550,922,398	547,356,262	581,970,254
Silver coin *	106,573,803	153,653,630	181,476,144	208,744,424	242,701,932
Legal-tender notes	346,681,016	346,681,016	346,681,016	346,681,016	346,681,016
National-bank notes	323,791,674	343,834,107	360,344,250	362,727,747	352,013,787
Totals	1,055,356,619	1,293,496,157	1,439,423,808	1,465,509,449	1,523,366,989

AMOUNT OF COIN AND CURRENCY IN THE TREASURY on the following dates, with the amount held by the NATIONAL BANKS, STATE BANKS, TRUST COMPANIES, and SAVINGS BANKS, on the dates of their reports nearest thereto.

	January 1, 1879.	November 1, 1880.	November 1, 1881.	November 1, 1882.	November 1, 1883.
	Dollars.	*Dollars.*	*Dollars.*	*Dollars.*	*Dollars.*
Gold: In the Treasury, less certificates .	112,703,342	133,679,349	167,781,909	148,435,473	157,353,760
In national banks, including certificates	35,039,201	102,851,032	107,222,169	94,127,324	97,570,057
In State banks, including certificates	10,937,812	17,102,130	19,901,491	17,892,500	18,255,300
Total gold	158,680,355	253,632,511	294,905,569	260,455,297	273,179,117
Silver: * In the Treasury, standard silver dollars	17,249,740	47,156,588	66,576,378	92,414,977	116,036,450
In the Treasury, bullion . . .	9,121,417	6,185,000	3,424,575	4,012,503	4,936,365
In the Treasury, fractional coin	6,048,194	24,635,561	25,984,687	26,749,482	26,712,424
In national banks	6,460,557	6,495,477	7,112,567	8,234,739	10,247,926
Total silver	38,879,908	84,472,626	103,098,207	131,411,701	157,933,165
Currency: In the Treasury, less certificates	44,425,655	18,221,826	22,774,830	26,224,248	30,996,217
In national banks, including certificates	126,491,720	86,439,925	77,630,917	92,544,767	103,316,802
In State banks, including certificates	25,944,485	25,828,794	27,391,317	27,086,482	28,259,069
In savings banks	14,513,779	17,072,680	11,782,243	14,724,978	12,998,594
Total currency	211,375,639	147,563,225	139,579,307	160,580,475	175,570,682
Grand totals	408,935,902	485,668,362	537,583,083	552,447,473	606,682,964

AMOUNT OF COIN AND CURRENCY IN THE HANDS OF THE PEOPLE, outside of the Treasury and the banks (national, State, trust companies, and savings), on the following dates:

	January 1, 1879.	November 1, 1880.	November 1, 1881.	November 1, 1882.	November 1, 1883.
	Dollars.	*Dollars.*	*Dollars.*	*Dollars.*	*Dollars.*
Gold	119,629,771	195,694,893	256,016,829	286,900,965	308,791,137
Silver	67,693,895	69,181,004	78,377,937	77,332,723	84,768,767
Currency	459,097,051	542,951,898	567,445,959	548,828,288	523,124,121
Totals	646,420,717	807,827,795	901,840,725	913,061,976	916,684,025

* The silver certificates, amounting in all to $19,780,241 on November 1, 1880, of which $1,165,120 were held by the national banks, are not included in this table.

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